



Motion Picture Association of America, Inc.

NEWS RELEASE

MPAA IDENTIFIES MALAYSIA AS HOTBED OF INTELLECTUAL PROPERTY THEFT:

Special 301 Report Catalogs Intellectual Property Concerns in Over Sixty Nations

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WASHINGTON, D.C. February 16, 1999 – The Motion Picture Association of America, in a submission to the U.S. Trade Representative by the International Intellectual Property Alliance (IIPA), today urged the USTR to continue its progress on several initiatives critical to the intellectual property community. Included in these efforts are increased regulation of optical media production, the need for worldwide TRIPS implementation and worldwide WIPO treaty implementation. The report also highlights several nations with piracy and market access problems. The submission was made as part of the USTR's "Special 301" review of piracy and market access problems around the world. This year's report highlighted intellectual property concerns in over sixty nations.

MPAA President and Chief Executive Officer Jack Valenti offered praise for the work of the USTR to date saying "I applaud Ambassador Barshefsky and the entire office of the United States Trade Representative for their continued success in defending and protecting this nation's most prized trade asset. A great deal of progress has been made over the years, but a new threat has declared war on the creators and copyright owners of this nation. The defeat of digital piracy depend largely on the resources and will of the U.S. government. This is not simply an IP matter, it is an American issue."

Primary among concerns detailed in the report is widespread optical disc piracy. Said Valenti, "Unlike traditional analog video piracy, a pirate digital disc is as pristine and pure as the original, further blurring the lines of legitimate and pirate product in the eyes of the consumer."

Piracy of optical media (music and video CDs, CD-ROM and DVD) has become a major problem for the motion picture industry, particularly in the Far East where optical disc format has become the standard for home entertainment. It is estimated that in the first half of 1998, almost 28 million pirate VCD versions of major studio motion pictures were seized in Asia alone.

"Because it is so very easy to produce and transport millions of pirated discs across international borders, we must make use of new weapons for the battle. Left unchecked, digital piracy could undermine the jobs and revenue generated by the fastest growing of U.S. industries, the copyright sector," said Valenti.



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The IIPA report identified Malaysia as a primary source of pirated optical media product. IIPA noted that pirate optical media mastering and replication operations, flooding crackdowns elsewhere in the region, are flocking to that nation with little fear of actual punishment. As a result of this environment, pirate CDs, VCDs and CD-ROMs are flooding Malaysia's domestic market and that nation has also become one of the world's leading exporters of pirated copyright materials throughout Asia and the world. IIPA did not make any specific recommendations as to Malaysia's Special 301 status; it did provide the USTR figures demonstrating the current devastation caused by piracy there.

"Malaysia has become a hub of international piracy," said Valenti. "To date, authorities there have failed to provide strong deterrents to those pirates flourishing within the borders of that nation. We are hopeful that the materials we are providing to the USTR today will aid that office in taking the appropriate actions towards Malaysia."

The report calls on the U.S. to make full use of Special 301 and the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement to spur better enforcement of intellectual property laws around the globe. TRIPS establishes comprehensive standards for the protection of intellectual property rights in World Trade Organization member countries.

The report does caution that even these traditional tools may not be sufficient to stem the tide of digital piracy. It suggests that part of each nation's TRIPS obligation to provide deterrent enforcement against piracy on a commercial scale may need to include controls on, and licensing of, new CD production capacity and the use of new identification tools to flag what is pirate product. "These are examples of attainable tools that will aid in controlling the spread of optical disc piracy," said Valenti. Currently CD plant production capacity worldwide has increased far ahead of world demand for CDs and has thus contributed to a 25% increase in all optical disk media piracy worldwide.

IIPA also asks the U.S. to take a leadership role in advocating the ratification and implementation of the World Copyright Treaty (WCT) and the World Performers on Phonograms Treaty (WPPT) by all nations. A key goal of IIPA will be to join counterpart copyright industries around the world to ensure that the thirty countries necessary to put the WCT and WPPT in force have ratified the treaties by the end of this year. The report emphasizes that this goal is reachable with the aid of the U.S. government.

"A great deal of thought and research has gone into this report," stated Valenti. "The numbers are real, the effect of piracy is staggering."